

Regulations for Enforcement of the Certified Public Accountants Act

(Cabinet Office Order No. 81 of December 7, 2007)

Chapter I General Provisions (Article 1)

Chapter II Certified Public Accountants (Articles 2 -17)

Chapter III Auditing Corporations (Articles 18 - 59)

Chapter IV Special Provisions Concerning Registration of Limited Liability

Auditing Corporations (Articles 60 - 82)

Chapter V Miscellaneous Provisions (Article 83)

Supplementary Provisions

Chapter I General Provisions

(Electronic and Magnetic Records)

Article 1 (1) The electronic or magnetic records to be specified by Cabinet Office Order as prescribed in Article 1-3, paragraph (1) of the Certified Public Accountants Act (hereinafter referred to as the "Act") is a file prepared in the form of a magnetic disk or other object that is capable of securely recording certain information by a method equivalent thereto, on which information has been recorded.

(2) The electronic or magnetic records prescribed in the preceding paragraph must have an electronic signature attached (meaning the electronic signature set forth in Article 2, paragraph (1) of the Act on Electronic Signatures and Certification Business (Act No. 102 of 2000)) by the preparer, as a measure in lieu of the signing by or affixing of the name and seal of the preparer.

Chapter II Certified Public Accountants

(Claim or Obligation with Special Circumstances)

Article 2 The claim or obligation with special circumstances to be specified by a Cabinet Office Order prescribed in Article 7, paragraph (1), item (iv) and Article 15, item (i) of the Order for Enforcement of the Certified Public Accountants Act (hereinafter referred to as the "Order") is a claim pertaining to any of the matters listed in items (i) through (xii) (with regard to items (xi) and (xii), a claim based on the contracts respectively set forth therein) or an obligation pertaining to any of the matters listed in items (xiii) through (xviii) (with regard to item (xvii), an obligation based on the contract set forth in the same item):

- (i) deposit (including savings);
- (ii) installment savings, etc. prescribed in Article 2, paragraph (4) of the Banking Act (Act No. 59 of 1981);
- (iii) premium prescribed in Article 1 of the Mutual Loan Business Act (Act No. 42 of 1931);
- (iv) bond issued by a corporation incorporated pursuant to a special law or regulation;
- (v) long-term credit bank bond prescribed in Article 8 of the Long-Term Credit Bank Act (Act No. 187 of 1952);
- (vi) specified company bond prescribed in Article 8, paragraph (1) of the Act on Financial Institutions' Merger and Conversion (Act No. 86 of 1968) (including if it is applied mutatis mutandis pursuant to Article 55, paragraph (4) of the same Act);
- (vii) company bond of which obligations are guaranteed by the government
- (viii) company bond issued by a domestic corporation regarding which, under a contract, a financial instruments business operator prescribed in Article 2, paragraph (9) of the Financial Instruments and Exchange Act (Act No. 25 of 1948) (limited to a person who engages in type I financial instruments business prescribed in Article 28, paragraph (1) of the same Act) is to acquire the remaining amount where the amount of subscription fails to reach the total amount at the time of the issuance;
- (ix) money in trust where trust property of many settlors, who are not joint settlors, is jointly managed (including a loan trust prescribed in Article 2, paragraph (1) of the Loan Trust Act (Act No. 195 of 1952));
- (x) investment trust set forth in Article 2, paragraph (3) of the Act on Securities Investment Trust and Securities Investment Corporations (Act No. 198 of 1951);
- (xi) life insurance contract;
- (xii) casualty insurance contract;
- (xiii) borrowing of money to be allocated to all or part of expenses for building or purchasing housing to be used for one's own residence or an office to be used for one's own business (including expenses pertaining to acquisition of ownership or leasehold or to land development) (the borrowing is limited to borrowing made prior to provision of an audit and attestation service (meaning the service set forth in Article 2, paragraph (1) of the Act; the same applies hereinafter) pertaining to the client company being audited, etc. (meaning an client company being audited, etc. prescribed in Article 7, paragraph (1), item (i) of the Order; the same applies hereinafter)), which is secured by a security interest created over the relevant housing or office or land pertaining thereto;
- (xiv) rent, maintenance fee, and contract renewal fee pertaining to housing to

- be used for one's own residence or an office to be used for one's own business (limited to housing rented since prior to provision of an audit and attestation service pertaining to the client company being audited, etc.);
- (xv) borrowing of money to be allocated to all or part of expenses for purchasing an automobile to be used for one's private purpose or an automobile to be used for one's own business (limited to a borrowing made prior to provision of an audit and attestation service pertaining to the client company being audited, etc.);
- (xvi) charges for electricity, gas, water and sewage and telephone;
- (xvii) contract set forth in Article 34-33, paragraph (3) of the Act (hereinafter referred to as a "guarantee entrustment contract");
- (xviii) beyond what is listed in item (xiii) to the preceding item, provision by the client company being audited, etc. of the goods or services normally required for the implementation of services of a certified public accountant (including the registered foreign certified public accountant prescribed in Article 16-2, paragraph (5) of the Act; the same applies hereinafter) or an auditing corporation.

(Associate Company)

- Article 3 (1) One to be specified by Cabinet Office Order as prescribed in Article 7, paragraph (2), item (i) of the Order is either of the following companies, etc. (meaning companies, etc. prescribed in the same item; the same applies hereinafter):
- (i) subsidiary company, etc. (meaning a subsidiary company, etc. prescribed in Article 7 (3) of the Order; hereinafter the same applies in this Article and Article 5) of the client company being audited, etc.;
 - (ii) associate company, etc. of the client company being audited, etc.
- (2) The associate company, etc. prescribed in item (ii) of the preceding paragraph is, when the client company being audited, etc. (when the client company being audited, etc. has a subsidiary company, etc., such company is to include the relevant subsidiary company, etc.) is capable of having significant influence on decisions on the of finance and operations or business of any other company, etc. which is not a subsidiary company, etc. through relationships in terms of contribution, personnel affairs, funds, technology, transactions or other matters, that other company which is not a subsidiary company, etc.
- (3) Where the client company being audited, etc. is capable of having significant influence on decisions on the policy of finance and operations or business of any other company, etc. which is not a subsidiary company, etc. prescribed in the preceding apply paragraph is any of the following cases; provided, however, that this does not apply when the client company being audited, etc. is found to clearly lack the capability of having significant influence on decisions on the

policy of finance and operations or business of the other company which is not a subsidiary company, etc. in view of their financial, operational or business relationship:

- (i) where the client company being audited, etc. holds, on its own account, twenty percent or more of the voting rights (in the case of a stock company, they are to exclude the voting rights of the shares which cannot be exercised for all matters that are subject to resolution at a shareholders meeting and include the voting rights of the shares for which shareholders are deemed to have voting rights pursuant to the provisions of Article 879, paragraph (3) of the Companies Act (Act No. 86 of 2005); the same applies hereinafter) of the other company which is not a subsidiary company, etc. (excluding a company, etc. which has received a ruling for commencement of rehabilitation proceedings under the provisions of the Civil Rehabilitation Act (Act No. 225 of 1999), a company which has received a ruling for commencement of reorganization proceedings under the provisions of the Corporate Reorganization Act (Act No. 154 of 2002), a company, etc. which has received a ruling for commencement of bankruptcy proceedings under the provisions of the Bankruptcy Act (Act No. 75 of 2004), or a company, etc. equivalent thereto, where the client company being audited, etc. is found to be incapable of having significant influence on decisions on the policy of finance and operations or business of such company, etc.; hereinafter the same applies in this paragraph);
- (ii) when the client company being audited, etc. holds, on its own account, fifteen percent or more and less than twenty percent of the voting rights of the other company which is not a subsidiary company, etc. and when any of the following requirements are satisfied:
 - (a) a person, who is or had been an officer, a partner performing services, or an employee of the client company being audited, etc. and who is personally capable of having significant influence on decisions on the policy of finance and operations or business of the other company which is not a subsidiary company, etc., holds the office of a representative director, a director, or a position equivalent thereto of the other company which is not a subsidiary company, etc.;
 - (b) the client company being audited, etc. provides an important loan (including guarantee of obligations and provision of collateral; the same applies in item (ii), sub-item (d) of the following Article) to the other company which is not a subsidiary company, etc.;
 - (c) the client company being audited, etc. provides important technology to the other company which is not a subsidiary company, etc.;
 - (d) the client company being audited, etc. carries out important sales, purchase or any other operational or business transactions with the other

- company which is not a subsidiary company, etc.;
- (e) there are circumstances suggesting that the client company being audited, etc. is capable of having significant influence on decisions on the policy of finance and operations or business of the other company which is not a subsidiary company, etc.;
- (iii) where the total number of voting rights held by the client company being audited, etc. on its own account and the voting rights held by persons who are found to exercise their voting rights in the same manner as the intent of the client company being audited, etc. due to a close relationship therewith in terms of contribution, personnel affairs, funds, technology, transactions or other matters, or by persons who agree to exercise their voting rights in the same manner as the intent of the client company being audited, etc. (including where the client company being audited, etc. does not hold any voting rights on its own account) constitutes twenty percent or more of the voting rights of the other company which is not a subsidiary company, etc., and where any of the requirements listed in (a) through (e) of the preceding item is satisfied.
- (4) One to be specified by a Cabinet Office Order as prescribed in Article 7, paragraph (2), item (ii) of the Order is either of the following companies, etc.:
- (i) parent company, etc. (meaning the parent company, etc. prescribed in Article 7, paragraph (3) of the Order; the same applies hereinafter) of the client company being audited, etc.;
- (ii) where the client company being audited, etc. is an associate company, etc. (meaning an associate company, etc. prescribed in paragraph (2); the same applies in Article 5) of any other company, etc., the relevant other company, etc.

(Parent Company)

Article 4 One to be specified by a Cabinet Office Order as prescribed in Article 7, paragraph (3) of the Order is any of the following companies, etc.; provided, however, that this does not apply when the company, etc. is found to clearly have no control over the decision-making body (meaning the decision-making body prescribed in the same paragraph; hereinafter the same applies in this Article) of any other company, etc. in view of their financial, operational or business relationship:

- (i) a company, etc. which holds, on its own account, a majority of the voting rights of another company, etc. (excluding a company, etc. subject to a ruling for commencement of rehabilitation proceedings under the Civil Rehabilitation Act, a company subject to a ruling for commencement of reorganization proceedings under the Corporate Reorganization Act, a company, etc. subject to a ruling for commencement of bankruptcy

- proceedings under the Bankruptcy Act, or a company, etc. equivalent thereto, where no effective dominant-subordinate relationship is found to exist; hereinafter the same applies in this Article);
- (ii) a company, etc. which holds, on its own account, between forty and fifty percent of the voting rights of another company, etc. and which satisfies any of the following requirements:
 - (a) the total number of voting rights held by the company, etc. on its own account and the voting rights held by persons who are found to exercise their voting rights in accordance with the intent of the company, etc. due to a close relationship therewith in terms of contribution, personnel affairs, funds, technology, transactions or other matters, or by persons who agree to exercise their voting rights in accordance with the intentions of the company, etc., constitutes a majority of the voting rights of another company, etc.;
 - (b) persons who are or were officers, partners executing services, or employees of the company, etc. and who are personally capable of significantly influencing policy decisions on the finances and operations or commercial pursuits of another company, etc. constitute a majority of the members of the board of directors or other equivalent body of the other company, etc.;
 - (c) there is a contract, etc. which controls important policy decisions on the finances and operations or commercial pursuits of the other company, etc.;
 - (d) the company, etc. provides a loan that constitutes more than half of the total amount of the procured funds of the other company, etc. (limited to those included in the liability section of the balance sheet) (including a case in which the amount of the loan constitutes more than half of the total amount of the procured funds when combined with the amount of a loan provided by a person with a close relationship with the company, etc. in terms of contribution, personnel affairs, funds, technology, transactions or other matters);
 - (e) there are circumstances suggesting that the company, etc. has control over the decision-making body of the other company, etc.;
 - (iii) company, etc. where the total number of voting rights held by the company, etc. on its own account and the voting rights held by persons who are found to exercise their voting rights in the same manner as the intent of the company, etc. due to a close relationship therewith in terms of contribution, personnel affairs, funds, technology, transactions or other matters, or by persons who agree to exercise their voting rights in the same manner as the intent of the company, etc. (including where the company, etc. does not hold any voting rights on its own account) constitutes a majority of the voting rights of the other company, etc., and which satisfies any of the requirements

listed in (b) through (e) of the preceding item.

(Relationship Found to be Substantially Controlled)

Article 5 The relationship to be specified by Cabinet Office Order as prescribed in Article 24-2 of the Act (including when it is applied *mutatis mutandis* pursuant to Article 16-2, paragraph (6) of the Act; the same applies in the following Article) and Article 34-11-2, paragraph (1) of the Act is the relationship of the certified public accountant, their spouse, or the auditing corporation with a subsidiary company, etc. or an associate company, etc.

(Restriction of Services)

Article 6 Those to be specified by Cabinet Office Order as prescribed in Article 24-2 of the Act and Article 34-11-2, paragraph (1) of the Act are the following:

- (i) services related to the keeping of accounting books on the client's behalf and any other preparation of financial documents (meaning financial documents prescribed in Article 1-3, paragraph (1) of the Act)
- (ii) services related to development or management of information systems pertaining to finance or accounting
- (iii) services related to verification or appraisal of properties contributed in kind (meaning properties contributed in kind prescribed in Article 207, paragraph (1) of the Companies Act) or any property equivalent thereto
- (iv) services related to actuarial science
- (v) services related to outsourcing of internal audits
- (vi) beyond those listed in the preceding items, services where the auditing corporation or the relevant body is found to be preparing the financial documents to be audited or attested (meaning audited or attested as part of an audit and attestation service) or services where the auditing corporation or the relevant body is found to participate in the business judgment of the client company being audited, etc.

(Figures Equivalent to Sales)

Article 7 Figures to be specified by Cabinet Office Order as prescribed in Article 9 item (i), sub-item (a) of the Order are the following:

- (i) business revenue
- (ii) operating revenue
- (iii) other figures equivalent to the revenues listed in the preceding two items

(Accounting Periods Equivalent to Consecutive Accounting Periods)

Article 8 The accounting periods (meaning accounting periods as prescribed in Article 24-3, paragraph (1) of the Act; the same applies hereinafter) which is regarded as equivalent to consecutive accounting periods under the provisions

referred to in the following items are the accounting periods specified in the respective items:

- (i) Article 24-3, paragraph (1) of the Act (including if it is applied *mutatis mutandis* pursuant to Article 16-2, paragraph (6) of the Act): when, during consecutive accounting periods, audit-related services (meaning audit-related services as prescribed in Article 24-3, paragraph (3) of the Act; the same applies hereinafter) have not been provided for consecutive accounting periods less than the number of accounting periods prescribed in Article 12 of the Order, and the overall consecutive accounting periods can be counted as seven accounting periods by deeming that audit-related services have been provided during the accounting periods for which the services have actually not been provided, the seven accounting periods
- (ii) Article 34-11-3 of the Act: when, during consecutive accounting periods, audit-related services have not been provided for consecutive accounting periods less than the number of accounting periods prescribed in Article 17 of the Order, and the overall consecutive accounting periods can be counted as seven accounting periods by deeming that audit-related services have been provided during the accounting periods for which the services have actually not been provided, the seven accounting periods
- (iii) Article 34-11-4, paragraph (1) of the Act: when audit-related services have not been provided for a number of consecutive accounting periods below the number of accounting periods prescribed in Article 20 of the Order, and where the overall number of consecutive accounting periods can be counted as five by deeming that audit-related services were provided during those accounting periods in which the services were actually not provided, the five accounting periods

(Audit-Related Services)

- Article 9 (1) An unavoidable circumstance to be specified by Cabinet Office Order as prescribed in the proviso to Article 24-3, paragraph (1) of the Act (including when it is applied *mutatis mutandis* pursuant to Article 16-2, paragraph (6) of the Act; the same applies in the following paragraph) is a case in which replacement of the certified public accountant is extremely difficult due to a shortage of certified public accountants in the surrounding area or for other reasons.
- (2) When a certified public accountant wishes to obtain the approval prescribed in the proviso to Article 24-3, paragraph (1) of the Act, the accountant, within the period from the discovery of the unavoidable circumstance prescribed in the proviso to the same paragraph until the commencement of the accounting period for which approval is sought, must submit a written application for approval prepared using appended form 1 for each such accounting period to

the Commissioner of the Financial Services Agency without delay.

- (3) Services to be specified by Cabinet Office Order as prescribed in Article 24-3, paragraph (3) of the Act (including cases when it is applied mutatis mutandis pursuant to Article 16-2, paragraph (6) of the Act) are the following:
- (i) when a certified public accountant participates in the audit and attestation services of any other certified public accountant as an assistant, services in which the assistant certified public accountant is found to be substantially involved to the same or a greater extent than the relevant other certified public accountant;
 - (ii) services in which a certified public accountant engages in a review pertaining to audit and attestation services (meaning the work to examine the appropriateness of the entire process involved in the formation of an opinion or conclusion pertaining to financial documents of the client company being audited, etc. and to take necessary measures, prior to expressing such opinion or conclusion; the same applies in Article 23, item (ii) and Article 26, paragraph (iv)) on entrustment by any other certified public accountant;
 - (iii) services in which a certified public accountant, who engages in the audit and attestation services of an auditing corporation as an assistant, is found to be substantially involved in the relevant services to the same or a greater extent than the partners prescribed in Article 34-12, paragraph (2) of the Act of the relevant auditing corporation.
- (4) The Certified Public Accountants and Auditing Oversight Board, when it is found necessary with regard to audit-related services pertaining to the accounting periods of the client company being audited, etc. for which the approval set forth in paragraph (2) has been obtained, may exercise the authority under the provisions of Article 41-2 of the Act or the authority under the provisions of Article 49-3, paragraph (1) or (2) that has been delegated pursuant to the provisions of Article 49-4, paragraph (2) of the Act.

(Accounting Period Relating to Prohibition of Audit-Related Services
Pertaining to Newly Listed Enterprises)

Article 10 The accounting period to be specified by Cabinet Office Order as prescribed in Article 24-3, paragraph (2) of the Act (including when it is applied mutatis mutandis pursuant to Article 16-2 (6) of the Act) and Article 34-11-5, paragraph (1) or (2) of the Act is two accounting periods; provided, however, that such period is one accounting period where the certified public accountant or the auditing corporation provided audit-related services only for one account period prior to the dates specified in the items of Article 13 of the Order.

(Unavoidable Circumstances for Engaging in an Audit Alone)

Article 11 The unavoidable circumstances to be specified by Cabinet Office

Order as prescribed in the proviso to Article 24-4 of the Act (including when it is applied mutatis mutandis pursuant to Article 16-2, paragraph (6) of the Act) are any of the following circumstances:

- (i) the other certified public accountant with whom to jointly provide audit and attestation services or the other certified public accountant to be used as an assistant had their registration cancelled.
- (ii) the other certified public accountant with whom to jointly provide audit and attestation services or the other certified public accountant to be used as an assistant became unable to provide the services due to an accident, illness or other reason equivalent thereto.
- (iii) the other certified public accountant with whom to jointly provide audit and attestation services or the other certified public accountant to be used as an assistant became unable to provide the services jointly due to their relocation.
- (iv) the auditing corporation with which to jointly provide audit and attestation services has been dissolved.
- (v) an unavoidable circumstance equivalent to those set forth in the preceding items, which is free of any cause attributable to the certified public accountant.

(Matters to be Additionally Stated in the Audit Certificate)

Article 12 The matters to be specified by Cabinet Office Order as prescribed in Article 25, paragraph (2) of the Act (including when it is applied mutatis mutandis pursuant to Article 16-2, paragraph (6) of the Act and Article 34-12 (3) of the Act) are the following matters:

- (i) whether or not the certified public accountant or the auditing corporation has an interest in the client company being audited, etc.
- (ii) if the certified public accountant or the auditing corporation has an interest in the client company being audited, etc., the details of the interest

(Restriction on Employment of Certified Public Accountants)

Article 13 (1) The person to be specified by Cabinet Office Order as prescribed in the main clause of Article 28-2 (including when it is applied mutatis mutandis pursuant to Article 16-2, paragraph (6) of the Act and Article 34-14-2 of the Act; hereinafter the same applies in this Article) is either of the following companies, etc.:

- (i) the consolidated subsidiary companies, etc. (meaning consolidated subsidiary companies prescribed in Article 2, item (iv) of the Regulation for Terminology, Forms and Preparation of Consolidated Financial Statements (Ministry of Finance Order No. 28 of 1976), non-consolidated companies

- (meaning the non-consolidated subsidiary companies prescribed in item (vi) of the same Article) to which the equity method (meaning the equity method prescribed in item (viii) of the same Article) applies, and associate companies (meaning the associate companies prescribed in item (vii) of the same Article); hereinafter the same applies in this paragraph) of the client company being audited, etc. or a company, etc. whose consolidated subsidiary companies, etc. include the client company being audited, etc. itself
- (ii) a consolidated subsidiary company, etc. (excluding the client company being audited, etc.) of a company, etc. whose consolidated subsidiary companies, etc. include the client company being audited, etc.
- (2) The case to be specified by Cabinet Office Order as prescribed in the proviso to Article 28-2 of the Act (including when it is applied *mutatis mutandis* pursuant to Article 16-2, paragraph (6) of the Act) is any of the following cases:
- (i) when, after a certified public accountant (including a person who was formerly a certified public accountant) became an officer or one equivalent thereto (hereinafter referred to as an "officer, etc." in this Article) for a company, etc. other than a company, etc. for which the accountant is prohibited from becoming an officer, etc. pursuant to the provisions of the main clause of Article 28-2 of the Act (hereinafter referred to as the "company, etc. where employment is restricted"), it has been decided that the relevant company, etc. will merge with the company, etc. where employment is restricted, and the relevant certified public accountant is to become an officer, etc. of the company, etc. surviving the merger (excluding where the certified public accountant had known about the relevant merger when becoming an officer, etc. of the company, etc. other than the company, etc. where employment is restricted);
- (ii) other cases where an unavoidable reason equivalent to that set forth in the preceding item is found.
- (3) The case to be specified by Cabinet Office Order as prescribed in the proviso to Article 28-2 of the Act as applied *mutatis mutandis* pursuant to Article 34-14-2 of the Act is any of the following cases:
- (i) when an auditing corporation has provided audit and attestation services with regard to the financial documents of a company or any other person, where, after the partner (including a person who was formerly a partner) who performed the relevant services has become an officer, etc. at a company, etc. other than one with restrictions on employment, it has been decided that the company, etc. at which the partner is employed as an officer will merge with a company, etc. for which the relevant partner has performed audit and attestation services, the case in which the partner who performed the relevant services is to be employed as an officer of the company, etc. surviving the merger (excluding cases where the partner who performed the

- relevant services knew of the merger at the time the person became an officer of the company, etc. that is other than a company, etc. with restrictions on employment);
- (ii) other cases in which an unavoidable reason equivalent to that set forth in the preceding item is found.

(Matters Concerning the Status of Operations to be Stated in Explanatory Documents)

Article 14 Matters to be specified by Cabinet Office Order as prescribed in Article 28-4, paragraph (1) (including when it is applied mutatis mutandis pursuant to Article 16-2 (6) of the Act; the same applies in Article 17, paragraph (1)) is the following:

- (i) the following matters concerning the general situation of the services:
- (a) outline of services
 - (b) nature of services (including the number of client companies being audited, etc.)
 - (c) status of the performance of services (including the following matters):
 - 1. Status of securing the fair performance of services
 - 2. Status of quality control (meaning quality control as prescribed in Article 34-13, paragraph (3) of the Act)
 - 3. Date of the most recent review by the Japanese Institute of Certified Public Accountants (hereinafter referred to as the "institute") under the provisions of Article 46-9-2, paragraph (1) of the Act
 - (d) The following particulars concerning a business alliance with any other certified public accountant (limited to one who has provided audit and attestation services with regard to financial documents of a large company, etc. (meaning the large company, etc. prescribed in Article 24-2 of the Act; the same applies hereinafter)) or an auditing corporation:
 - 1. name of the relevant other certified public accountant or auditing corporation that is the alliance partner;
 - 2. date of commencement of the alliance;
 - 3. contents of the business alliance;
- (ii) the following particulars concerning the general situation of the office (if there are two or more offices, the following particulars are stated for each office):
- (a) Name of the office;
 - (b) Location of the office;
 - (c) Number of certified public accountants who work at the office;
- (iii) names of the client companies being audited, etc. (limited to large companies, etc.).

(Electronic or Magnetic Means)

Article 15 (1) The method that uses an electronic data processing system and is to be specified by a Cabinet Office Order as prescribed in Article 28-4, paragraph (3) of the Act (including when it is applied *mutatis mutandis* pursuant to Article 16-2, paragraph (6) of the Act; the same applies in the following Article) is either of the following methods:

- (i) a method of sending information through an electric telecommunication line connecting the computer used by the sender and the computer used by the recipient, and recording it into a file on the computer used by the recipient;
 - (ii) a method of making the contents of the information recorded in a file on the computer used by the sender available for inspection by the person receiving provision of the information through an electric telecommunication line, and recording the relevant information into a file on the computer used by the person receiving provision of the information.
- (2) The methods listed in the items of the preceding paragraph are such that allow a recipient to create a document by outputting the information recorded in the file.

(Measure for Making Information Available to Many and Unspecified Persons)

Article 16 The measure for making information available to many and unspecified persons to be specified by Cabinet Office Order as prescribed in Article 28-4, paragraph (3) of the Act and Article 34-16-3, paragraph (3) of the Act is the method of indicating the matters recorded on electronic or magnetic records (meaning the electric or magnetic records prescribed in Article 1-3, paragraph (1) of the Act; the same applies hereinafter) on paper or on a screen.

(Public Inspection Period)

Article 17 (1) A certified public accountant or an auditing corporation must begin making documents prepared pursuant to the provisions of Article 28-4, paragraph (1) of the Act or Article 34-16-3, paragraph (1) of the Act (including electronic or magnetic records prepared pursuant to Article 28-4, paragraph (2) (including if it is applied *mutatis mutandis* pursuant to Article 16-2, paragraph (6) of the Act) and Article 34-16-3, paragraph (2); hereinafter referred to as "documents for public inspection" in this paragraph and the following paragraph) available for public inspection within three months from the end of the business year (meaning the business year prescribed in Article 28-4, paragraph (1) of the Act; hereinafter the same applies in this paragraph) or the fiscal year (meaning the fiscal year prescribed in Article 34-15 of the Act; the same applies hereinafter), and keep them available for public inspection until starting to make the documents for public inspection pertaining to the business year or fiscal year following the relevant business year or fiscal year available

for public inspection.

- (2) A certified public accountant or an auditing corporation, when the accountant or the corporation is unable to start making the documents for public inspection available for public inspection by the time prescribed in the preceding paragraph due to an unavoidable reason, may postpone the start of making them available for public inspection by obtaining the approval of the Commissioner of the Financial Services Agency in advance.
- (3) A certified public accountant or an auditing corporation, when the accountant or the corporation intends to obtain the approval under the provisions of the preceding paragraph, must submit to the Commissioner of the Financial Services Agency a written application for approval by attaching a written statement of reasons.
- (4) When an application for approval under the provisions of the preceding paragraph has been filed, the Commissioner of the Financial Services Agency is to examine whether or not there is an unavoidable reason for the certified public accountant or auditing corporation that has filed the relevant application to postpone the start of making the documents available for public inspection under the provisions of paragraph (1).

Chapter III Auditing Corporations

(Name of a Limited Liability Auditing Corporation)

Article 18 The word categorized by a Cabinet Office Order as one indicating that all of the partners are partners with limited liability as prescribed in Article 34-3, paragraph (2) of the Act is "limited liability."

(Proportion of Partners Who Are Certified Public Accountants)

Article 19 The proportion to be specified by Cabinet Office Order as prescribed in Article 34-4, paragraph (3) of the Act is seventy-five percent.

(Notification of Incorporation)

Article 20 (1) The notification of incorporation under the provisions of Article 34-9-2 of the Act must be given by submitting a written notice stating the following particulars:

- (i) name of the auditing corporation and the location and telephone number of its principal office
- (ii) date of incorporation

(2) The written notice set forth in the preceding paragraph must have attached the following documents:

- (i) certificate of the registered matters
- (ii) copy of the articles of incorporation

- (iii) document stating the dates of registration and registration numbers of the certified public accountants who are partners and those of specified partners (meaning specified partners as prescribed in Article 1-3, paragraph (6) of the Act; the same applies hereinafter)
- (iv) document in which partners pledge that they do not fall under the items of Article 34-4, paragraph (2) of the Act
- (v) document stating the number of employees by categorizing them into certified public accountants and any other persons
- (vi) if there are two or more offices, a document stating, with regard to each office, the office location, the number of partners working at the office, and the number of employees working at the office categorized into certified public accountants and other persons
- (vii) written business plan stating the names of companies and other persons for which audit and attestation services will be performed in the fiscal year which includes the date of incorporation
- (viii) written personal history
- (ix) document stating the quality control policy
- (x) document evidencing the fact that the proportion of all of the partners who are certified public accountants is not lower than the proportion to be specified by Cabinet Office Order as prescribed in Article 34-4, paragraph (3) of the Act

(Notification of a Change to the Articles of Incorporation)

Article 21 (1) The notification of a change to the articles of incorporation under the provisions of Article 34-10, paragraph (2) of the Act must be given by submitting a written notice stating the following particulars:

- (i) name of the auditing corporation and the location and telephone number of its principal office
 - (ii) contents and the date of the change to the articles of incorporation
- (2) A copy of the changed articles of incorporation must be attached to the written notification set forth in the preceding paragraph.
- (3) When the change to the articles of incorporation pertains to a change in the partners, the written notice set forth in paragraph (1) must be attached with the documents specified in the following items for the categories of cases respectively prescribed therein, beyond the documents set forth in the preceding paragraph:
- (i) when a new partner has joined the auditing corporation: documents listed in paragraph (2), items (iii), (iv) and (viii) of the preceding Article pertaining to the relevant partner
 - (ii) when the number of partners has changed: a document stating the number of partners as after the change (including the breakdown into the number of

partners who are certified public accountants and the number of specified partners)

- (4) When the change to the articles of incorporation pertains to establishment, relocation or closure of an office, the written notice set forth in paragraph (1) must be attached with the document set forth in paragraph (2), item (vi) of the preceding Article after that change, beyond the document set forth in paragraph (2).

(Method for Notification of Designation)

Article 22 The method to be specified by Cabinet Office Order as prescribed in Article 34-10-5, paragraph (4) of the Act is to be in writing or by electronic or magnetic means (meaning the electronic or magnetic means prescribed in Article 28-4, paragraph (3) of the Act; the same applies in Article 47).

(Lead Engagement Partner)

Article 23 The person to be specified by Cabinet Office Order as prescribed in Article 34-11-4, paragraph (1) of the Act is to be either of the following:

- (i) among the partners executing audit and attestation services, the partner who signs and affixes their seal at the top of the list of their names in the audit report as one who supervises the relevant affairs
- (ii) the person who participates in the review pertaining to audit and attestation services and has the most important responsibility for the relevant review

(Large Auditing Corporations)

Article 24 The auditing corporation to be specified by Cabinet Office Order as prescribed in Article 34-11-4, paragraph (2) of the Act, where the total number of listed securities issuers, etc. (meaning the listed securities issuers, etc. prescribed in paragraph (1) of the same Article) for which an auditing corporation has provided audit and attestation services with regard to their financial documents in the auditing corporation's most recent fiscal year is one hundred or more, is the relevant auditing corporation in the relevant fiscal year.

(Development of Operation Control Structure)

Article 25 The operation control structure that an auditing corporation must develop pursuant to the provisions of Article 34-13, paragraph (1) of the Act must satisfy the following requirements:

- (i) measures for securing the fair performance of services (including measures concerning the basic policy for operation and business management and measures concerning compliance; the same applies in Article 27, item (i) and

- Article 39, item (i) (e)) are taken under the framework
- (ii) measures concerning the formulation and implementation of policy on operation's quality control (including the following measures) are taken under the framework
 - (a) Measures concerning the monitoring of operation's quality control
 - (b) Measures concerning the appointment of persons responsible for formulation and implementation of policy on operation's quality control, and other measures for clarifying responsibility
 - (iii) measures are taken under the framework for eliminating the possibility of persons other than partners who are certified public accountants from having an undue influence on the performance of audit and attestation services provided by partners who are certified public accountants
 - (iv) measures are taken under the framework for ensuring that specified partners become members of the institute and observe the constitution of the institute;
 - (v) the majority of the total number of partners have been engaged in audit and attestation services for three years or more after obtaining registration as a certified public accountant
 - (vi) the auditing corporation has the facilities and financial basis necessary for providing audit and attestation services appropriately
 - (vii) when the auditing corporation establishes a secondary office, its partners are permanently stationed at the secondary office.

(Quality Management)

Article 26 The matters concerning the implementation of services to be specified by Cabinet Office Order as prescribed in Article 34-13, paragraph (3) of the Act are the following matters:

- (i) observance of professional ethics and securing of independence with regard to services;
- (ii) conclusion and renewal of contracts pertaining to services;
- (iii) employment, education, training, evaluation, and appointment of partners in charge of services and any other persons;
- (iv) implementation of services and reviews thereof (including the following matters):
 - (a) consultation of expert opinions (meaning obtainment of opinions on expert matters from persons having expert knowledge and experience with regard to the services);
 - (b) resolution of differences of opinion in audit (meaning the differences in determinations between the persons implementing audit and attestation services or between such persons and persons engaging in a review of audit and attestation services);

(c) reviews of audit and attestation services.

(Important Matters Pertaining to Activities of Auditing Corporations)

Article 27 The matters to be specified by Cabinet Office Order as prescribed in Article 34-13, paragraph (4) of the Act are the following matters:

- (i) measures for securing the fair performance of services;
- (ii) formulation of policy on operation's quality control;
- (iii) measures for eliminating the possibility of persons other than partners who are certified public accountants from having an inappropriate influence on the performance of audit and attestation services provided by partners who are certified public accountants.

(Proportion of Partners Who Are Certified Public Accountants out of the Partners Constituting an Administrative or Management Body)

Article 28 The proportion to be specified by Cabinet Office Order as prescribed in Article 34-13, paragraph (4) of the Act is seventy-five percent.

(Accounting Books)

Article 29 (1) The accounting books to be prepared by auditing corporations pursuant to the provisions of Article 34-15-3, paragraph (1) of the Act are in accordance with the provisions of this Article.

- (2) The accounting books are prepared and retained in the form of hard copies or electronic or magnetic records.
- (3) Assets to be recorded in the accounting books of an auditing corporation are valued at their acquisition costs, except as otherwise provided for in this Cabinet Office Order; provided, however, that the market value or a fair value as of the final day of the accounting period may be given for assets for which it is inappropriate to give the acquisition value.
- (4) Depreciable assets are reasonably depreciated on the final day of the fiscal year (or, where the assets are to be valued on a day other than the final day of the fiscal year, on such day; hereinafter the same applies in this Article).
- (5) Where the values of the assets respectively specified in the following items need to be given on the final day of the fiscal year, the values respectively specified in those items are given:
 - (i) assets whose market value is considerably lower than their acquisition cost on the final day of the fiscal year (excluding assets whose market value is found at that time to be likely to recover to the level of their acquisition cost): market value on the final day of the fiscal year;
 - (ii) assets for which an unforeseeable impairment has occurred or assets for which impairment losses have been recognized on the final day of the fiscal year: Amount obtained by deducting a reasonable amount from the

acquisition cost at that time.

- (6) With regard to a claim that has a risk of being uncollectible, the amount that is expected to be uncollectible on the final day of the fiscal year must be deducted on that day.
- (7) With regard to liabilities that are to be included in the accounting books of an auditing corporation, the amount of debts must be indicated, except as otherwise provided for in this Cabinet Office Order; provided, however, that the market value or a fair value may be indicated for liabilities for which it is inappropriate to indicate the amount of debts.
- (8) Goodwill may be recognized in accounting books as assets or liabilities only where it has been received for value or acquired through a merger.

(Balance Sheet)

- Article 30 (1) The balance sheet to be prepared pursuant to the provisions of Article 34-16, paragraphs (1) and (2) of the Act is to be in accordance with the provisions of this Article.
- (2) The amount of the items included in a balance sheet is to be indicated in units of one yen, thousand yen, or million yen.
 - (3) The balance sheet is to be presented in Japanese; provided, however, that this does not apply when it is not unreasonable to present it in any other language.
 - (4) The balance sheet to be prepared pursuant to the provisions of Article 34-16, paragraph (1) of the Act must be prepared based on the accounting books as of the date of incorporation.
 - (5) The balance sheet pertaining to each fiscal year to be prepared pursuant to the provisions of Article 34-16, paragraph (2) of the Act is prepared based on the accounting books pertaining to the relevant fiscal year.
 - (6) The period covered by the balance sheet pertaining to each fiscal year is to be the period from the day following the final day of the fiscal year preceding that fiscal year (where there is no fiscal year preceding that fiscal year, the date of incorporation) to the final day of that fiscal year. In this case, the relevant period does not exceed one year (or, with regard to the first fiscal year after the change where the final day of a fiscal year is changed, one year and six months).
 - (7) The balance sheet is to be classified into the following sections:
 - (i) assets;
 - (ii) liabilities ;
 - (iii) net assets.
 - (8) The sections listed in item (i) and item (ii) of the preceding paragraph may be subdivided into appropriate items. In this case, each item is given an appropriate title indicating assets or liabilities.
 - (9) The net assets section must be divided into the following items:

- (i) partners' equity;
 - (ii) valuation and translation differences, etc.
- (10) The item pertaining to partners' equity must be divided into the following items:
- (i) stated capital;
 - (ii) advance on application for capital contribution;
 - (iii) capital surplus;
 - (iv) earned surplus.
- (11) The following items and other figures which are not assets, liabilities nor partners' equity may be included in net assets as valuation or translation differences, etc. if it is found to be appropriate to include them as an item in the section of net assets:
- (i) valuation differences of assets or liabilities (including net assets or liabilities resulting from derivative transactions; hereinafter the same applies in this item) where market values of the assets or liabilities are to be indicated (excluding items to be recognized through profit or loss and the valuation differences listed in the following item and item (iii));
 - (ii) gains and losses or valuation differences pertaining to hedging instruments (meaning the hedging instruments prescribed in Article 2, paragraph (3), item (xxv) of the Regulation for Company Accounting (Ministry of Justice Order No. 13 of 2006)) in the case of applying hedge accounting (meaning the hedge accounting prescribed in the same item);
 - (iii) revaluation differences prescribed in Article 7, paragraph (2) of the Act on Revaluation of Land (Act No. 34 of 1998).

(Financial Statements)

Article 31 The documents to be specified by a Cabinet Office Order as prescribed in Article 34-16, paragraph (2) of the Act are the following:

- (i) statement of changes in net assets;
- (ii) list of explanatory notes;
- (iii) annexed detailed statement.

(Statement of Changes in Net Assets)

Article 32 (1) A statement of changes in net assets is in accordance with the provisions of this Article.

(2) A statement of changes in net assets must consist of the following items:

- (i) partners' equity;
- (ii) valuation or translation adjustments, etc.

(3) The item pertaining to partners' equity must disclose the following. In this case, the matter set forth in item (ii) must disclose the change in the amount during the current period and the reason for the change for each of the reasons

for the changes.

- (i) balance at the end of the previous period;
- (ii) changes in the amount during the current period;
- (iii) balance at the end of the current period.

- (4) The item pertaining to valuation or translation adjustments, etc. must disclose the balance at the end of the previous term, the balance at the end of the current term, and the difference between them. In this case, this does not preclude the auditing corporation from disclosing the major changes in the amount during the current term along with the reasons for the changes.

(List of Explanatory Notes)

Article 33 A list of explanatory notes must consist of the following items:

- (i) explanatory notes concerning matters pertaining to significant accounting policies;
- (ii) explanatory notes concerning the balance sheet;
- (iii) other explanatory notes.

(Explanatory Notes Concerning Matters Pertaining to Significant Accounting Policies)

Article 34 (1) Explanatory notes concerning matters pertaining to significant accounting policies are to describe the accounting principles, procedures and the format adopted for the preparation of financial statements (meaning the financial statements prescribed in Article 34-16, paragraph (2) of the Act; the same applies hereinafter) and the following other matters that serve as the basis for the preparation of financial statements (referred to as "accounting policies" in the following paragraph) (excluding those of a low level of significance):

- (i) valuation basis and method for assets;
- (ii) depreciation method for fixed assets;
- (iii) recognition of provisions;
- (iv) recognition of revenue and expenses;
- (v) other significant matters that serve as the basis for the preparation of financial statements.

- (2) Where accounting policies have been changed, the following matters (excluding those of a low level of significance) is to also be described as explanatory notes concerning significant accounting policies:

- (i) when the accounting principle or procedure has been changed, a statement to that effect, the reason for the change, and the effect of the relevant change on the financial statements;
- (ii) when the presentation has been changed, the nature thereof.

(Explanatory Notes Concerning the Balance Sheet)

Article 35 Explanatory notes concerning the balance sheet, when there are any obligations for damages pertaining to significant contentious cases or other obligations equivalent thereto (excluding those included in the liability section), is to describe the contents and the amounts of the relevant obligations.

(Other Explanatory Notes)

Article 36 Other explanatory notes are to describe, beyond the matters specified in the preceding two Articles, necessary matters for precisely determining the status of financial position and performance of the auditing corporation based on the balance sheet, the profit and loss statement and the statement of changes in net assets.

(Annexed Detailed Statement)

Article 37 A annexed detailed statement must present, beyond the following matters, significant matters that supplement the contents of the balance sheet, the profit and loss statement, the statement of changes in net assets and the list of explanatory documents of the auditing corporation:

- (i) table of tangible fixed assets and intangible fixed assets;
- (ii) description of reserves;
- (iii) description of the selling and general and administrative cost.

(Matters to be Stated in the Business Report)

Article 38 (1) The business report prescribed in Article 34-16, paragraph (2) of the Act must state, beyond the general situation of business, matters such as the general situation of partners, employees, etc., the general situation of offices, and the breakdown of the client companies being audited, etc.
(2) The business report set forth in the preceding paragraph is to be prepared using appended form 2.

(Matters Concerning the Status of Business and Financial Position Stated in Explanatory Documents)

Article 39 The matters to be specified by Cabinet Office Order as prescribed in Article 34-16-3, paragraph (1) of the Act are to be the following matters (excluding the matters listed in item (v)(b) through (e) in the case of an unlimited liability auditing corporation (meaning an unlimited liability auditing corporation prescribed in Article 1-3, paragraph (5) of the Act; hereinafter the same applies in this Article and Article 60)):

- (i) the following matters concerning the general situation of business:
 - (a) purpose and history of the auditing corporation;
 - (b) whether the auditing corporation is an unlimited liability auditing

- corporation or a limited liability auditing corporation (meaning the limited liability auditing corporation prescribed in Article 1-3, paragraph (4) of the Act; the same applies hereinafter);
- (c) the following matters concerning the outline of business:
1. outline of the contents of the services mentioned in (d)-1 and 2;
 2. New services launched in the relevant accounting period and other important matters to be stated in explanatory documents, if there are any such matters;
- (d) the following matters concerning the contents of business:
1. the status of audit and attestation services (including the number of client companies being audited, etc. (breakdown of client companies being audited, etc. and the breakdown of large companies, etc. as of the end of the relevant accounting period, for each category presented in laws and regulations governing audit and attestation services));
 2. the status of non-audit and attestation services (meaning the services prescribed in Article 2, paragraph (2) of the Act; the same applies hereinafter) (including the status of services provided for large companies, etc. and the status of services provided for persons other than large companies, etc.);
- (e) the following matters concerning the status of development of an operation control structure and operation of services:
1. measures for securing the fair performance of services;
 2. Measures concerning the formulation and implementation of policy on operation's quality control (including the matters concerning the formulation of policy for ensuring independence, determination of remuneration for partners, and training of partners and employees and any other workers; hereinafter the same applies in item 5.);
 3. measures for eliminating the possibility of persons other than partners who are certified public accountants from having an inappropriate influence on the performance of audit and attestation services provided by partners who are certified public accountants;
 4. most recent date of receiving an review by the institute under the provisions of Article 46-9-2, paragraph (1) of the Act;
 5. confirmation by one responsible partner who represents the auditing corporation to the effect that the measures concerning the formulation and implementation of policy on operation's quality control taken by the corporation are appropriate;
- (f) the following matters concerning a business alliance with any other certified public accountant (limited to one who has provided audit and attestation services with regard to financial documents of a large company, etc.) or an auditing corporation:

1. name of the relevant other certified public accountant or auditing corporation that is the alliance partner;
 2. date of commencement of the alliance;
 3. nature of the business alliance;
- (g) the following matters concerning a business alliance with a foreign audit firm, etc. (meaning a person or the firms practice to audit or attest financial documents for fees at the request of others in a foreign jurisdiction in compliance with the laws and regulations of the foreign jurisdiction; hereinafter the same applies in this item):
1. trade name or other name of the foreign audit firm, etc. that is the alliance partner;
 2. date of commencement of the alliance;
 3. contents of the business alliance;
 4. where the foreign audit firm, etc. belongs to a network consisting of foreign audit firms, etc. that provides services under a common name in two or more states, such organization and the outline of the arrangements of the organization;
- (ii) the following matters concerning the general situation of the partners:
- (a) number of partners (including the breakdown of the number of partners who are certified public accountants and the number of specified partners);
 - (b) where the auditing corporation makes decisions on important matters pertaining to its activities by a council consisting of some of its partners, the composition of the council (including the number of the partners constituting the council (including the breakdown into the number of partners who are certified public accountants and the number of specified partners));
- (iii) the following particulars concerning the general situation of the office (if there are two or more offices, the following particulars are stated for each office):
- (a) name;
 - (b) location;
 - (c) the number of partners who work at the office (including a breakdown of the number of partners who are certified public accountants and the number of specified partners) and the number of employees who are certified public accountants;
- (iv) outline of the organization of the auditing corporation;
- (v) the following matters concerning the general property situation:
- (a) the total amount of net sales (including income from services) in the two most recent accounting periods (or the most recent accounting period where the auditing corporation did not prepare financial statements for the accounting period preceding it; the same applies in (b)) (including a

- breakdown of the net sales amount of auditing and attestation services and the amount of net sales for non-audit and attestation services);
- (b) financial statements for the two most recent accounting periods;
- (c) audit reports pertaining to the documents listed in (b) (limited to cases where audit reports are required to be attached pursuant to the provisions of Article 34-32, paragraph (1) of the Act);
- (d) the amount of deposited funds, etc. (including the amount of deposited funds prescribed in Article 25 of the Order, the amount of deposited funds deposited with a deposit office, the contracted amount under a guarantee entrustment contract and the maximum amount of coverage under a liability insurance contract of a limited liability auditing corporation (meaning a liability insurance contract of a limited liability auditing corporation prescribed in Article 34-34, paragraph (1) of the Act; hereinafter referred to as a "liability insurance contract"));
- (e) in the case of concluding a liability insurance contract in lieu of making a deposit, a statement to that effect and the contents of such liability insurance contract (including the type of contract, the amount of insurance money, the date of conclusion of the liability insurance contract, and the trade name or other name of the person who underwrites the insurance);
- (vi) names of the client companies being audited, etc. (limited to large companies, etc.).

(Notification of Dissolution)

Article 40 The notification of dissolution prescribed in Article 34-18, paragraph (3) of the Act must be given by submitting a written notice stating the following particulars:

- (i) name of the dissolved auditing corporation and the location and telephone number of its principal office;
- (ii) reason for and date of the dissolution.

(Notification of Merger)

Article 41 (1) The notification of a merger as prescribed in Article 34-19, paragraph (3) of the Act must be given by submitting a written notice stating the following particulars:

- (i) name of the auditing corporation surviving the merger or the auditing corporation incorporated as a result of the merger and the location and telephone number of its principal office;
- (ii) date of the merger.

(2) The written notice set forth in the preceding paragraph must attach the following documents:

- (i) the documents listed in Article 20, paragraph (2), items (i) through (vi);

- (ii) written business plan stating the names of companies and any other persons that become subject to audit and attestation services in the fiscal year containing the date of the merger;
- (iii) where a merger contract has been prepared, a copy thereof.

(Submission of Financial Statements)

Article 42 (1) When an auditing corporation intends to submit documents pursuant to the provisions of Article 34-16, paragraph (2) of the Act or Article 20, Article 21, Article 40 or the preceding Article (including when it intends to submit an electronic or magnetic record pursuant to the provisions of Article 34-16, paragraph (3) of the Act), it must submit such documents to the director general of the local finance bureau having jurisdiction over the location of the principal office of the auditing corporation (the director general of the Fukuoka Local Finance Branch Bureau where such location is within the jurisdiction of the Fukuoka Local Finance Branch Bureau) along with a copy of each (a copy of the electronic or magnetic record in the case of submitting an electronic or magnetic record pursuant to the provisions of Article 34-16, paragraph (3) of the Act; the same applies in the following paragraph).

(2) With regard to the copy prescribed in the preceding paragraph, the number of copies specified in the following items are to be attached in accordance with the categories respectively set forth in those items:

- (i) documents prescribed in Article 34-16, paragraph (2) of the Act (including the electronic or magnetic record prescribed in paragraph (3) of the same Article): one copy;
- (ii) written notice and the documents attached thereto set forth in Article 20, Article 40 and the preceding Article: one copy (when the auditing corporation intends to establish or has established offices in the jurisdictional districts of two or more local finance bureaus or the Fukuoka Local Finance Branch Bureau (hereinafter referred to as "local finance bureaus, etc." in this Article), the same number of copies as the number of such local finance bureaus, etc.);
- (iii) written notice and the documents attached thereto set forth in Article 21: one copy (when the change to the articles of incorporation pertains to establishment, relocation or closure of an office outside the jurisdictional district of the local finance bureau, etc. having jurisdiction over the principal office, the added number of copies are to be the number of local finance bureaus, etc. having jurisdiction over such offices).

(Method of Indicating the Matters Recorded in Electronic or Magnetic Records)

Article 43 The method to be specified by Cabinet Office Order as prescribed in Article 618, paragraph (1), item (ii) of the Companies Act as applied mutatis

mutandis pursuant to Article 34-22, paragraph (1) of the Act is the method of indicating the matters recorded in electronic or magnetic records on paper or on a screen.

(Inventory of Assets and Liabilities at the Time of Commencement of Liquidation)

Article 44 (1) The inventory of assets and liabilities to be prepared pursuant to the provisions of Article 658, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 34-22, paragraph (2) of the Act is to be in accordance with the provisions of this Article.

(2) With regard to the property to be included in the inventory of assets and liabilities set forth in the preceding paragraph, the disposal price thereof as of the day on which the auditing corporation has fallen under the cases listed in the items of Article 34-18, paragraph (1) of the Act or the case prescribed in paragraph (2) of the same Article must indicated, except where it is difficult to indicate the disposal price. In this case, with regard to the accounting books of the auditing corporation, the price indicated in the inventory of property is deemed to be the acquisition value.

(3) The inventory of assets and liabilities set forth in paragraph (1) must consist of the following sections. In this case, the sections listed in item (i) and item (ii) may be further divided into items that have been given appropriate titles indicating their contents;

- (i) assets;
- (ii) liabilities;
- (iii) net assets.

(Balance Sheet at the Time of Commencement of Liquidation)

Article 45 (1) The balance sheet to be prepared pursuant to the provisions of Article 658, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 34-22, paragraph (2) of the Act or the provisions of Article 669, paragraphs (1) or (2) of the Companies Act as applied mutatis mutandis pursuant to Article 34-22, paragraph (3) of the Act is in accordance with the provisions of this Article.

(2) The balance sheet set forth in the preceding paragraph must be prepared based on the inventory of assets and liabilities.

(3) The balance sheet set forth in paragraph (1) must consist of the following sections. In this case, the sections listed in item (i) and item (ii) may be further divided into items that have been given appropriate titles indicating their contents.

- (i) assets;
- (ii) liabilities;

(iii) net assets.

- (4) Where it is difficult to indicate the disposal price for any asset, an explanatory note on the property valuation policy pertaining to the relevant asset must be indicated in the balance sheet set forth in paragraph (1).

(Electronic or Magnetic Records Provided by an Inspector)

Article 46 Electronic or magnetic records to be specified by Cabinet Office Order as prescribed in the provisions listed below is an electronic or magnetic storage media serving as electronic or magnetic records provided in Article 36, paragraph (1) of the Regulation for Commercial Registration (Ministry of Justice Order No. 23 of 1964) and any other electronic or magnetic records specified by their recipient pursuant to the provisions listed below:

- (i) Article 207, paragraph (4) of the Companies Act as applied mutatis mutandis pursuant to Article 34-23, paragraph (1) of the Act;
- (ii) Article 33, paragraph (4) of the Companies Act as applied mutatis mutandis pursuant to Article 34-23, paragraph (2) of the Act.

(Provision of Matters Recorded in an Electronic or Magnetic Record by an Inspector)

Article 47 The method to be specified by Cabinet Office Order as prescribed in the provisions listed below (hereinafter referred to as the "specifications on provision by an inspector" in this Article) is any electronic or magnetic means specified by the recipient of the matters recorded in an electronic or magnetic record set forth in the specifications on provision by an inspector:

- (i) Article 207, paragraph (6) of the Companies Act as applied mutatis mutandis pursuant to Article 34-23, paragraph (1) of the Act;
- (ii) Article 33, paragraph (6) of the Companies Act as applied mutatis mutandis pursuant to Article 34-23, paragraph (2) of the Act.

(Securities with Market Prices That Require No Investigation by an Inspector)

Article 48 The method to be specified by Cabinet Office Order as prescribed in Article 207, paragraph (9) item (iii) of the Companies Act as applied mutatis mutandis pursuant to Article 34-23, paragraph (1) of the Act is the method whereby the higher of the following amounts is treated as the price of securities prescribed in that item:

- (i) the closing price in the market where the relevant securities are traded as of the day on which the articles of incorporation have been changed so as to make property other than monies the subject of the contribution (hereinafter referred to as the "date of the change" in this Article) (where no buying and selling transactions are carried out on the date of the change or where the date of the change is a holiday of the market, the price at which the first

- buying and selling transaction was carried out after the relevant date);
- (ii) when the securities are the subject of a takeover bid, etc. (meaning the takeover bid, etc. prescribed in Article 2, paragraph (3), item (xxix) of the Regulation for Company Accounting; the same applies hereinafter) as of the date of the change, the price of the securities under the contract pertaining to the relevant takeover bid, etc. as of the relevant date of the pricing.

(Amount of Stated Capital)

Article 49 (1) Only in the cases listed in the following items, the amount of stated capital of a limited liability auditing corporation is increased by an amount which the limited liability auditing corporation has decided to include in the amount of stated capital within the scope of the amount specified respectively in those items; provided, however, that this does not apply where it results from a merger:

- (i) when a partner has performed the contribution: the amount obtained by subtracting the total of the amount set forth in (b) from the total of the amount set forth in (a) (zero where the obtained amount is less than zero);
- (a) value of the property paid or delivered to the limited liability auditing corporation as a result of the contribution performed by the relevant partner
- (b) among the amount of costs pertaining to receipt of the performance of the relevant contribution, the amount which the limited liability auditing corporation has decided to reduce from the stated capital or the capital surplus
- (ii) where the limited liability auditing corporation has decided to make all or part of the amount of capital surplus the amount of stated capital: such amount of capital surplus.
- (2) Only in the cases listed in the following items, the amount of stated capital of a limited liability auditing corporation is reduced by the amount respectively specified in those items:
- (i) when the limited liability auditing corporation is to return equity interest to a withdrawing partner through the procedure under the provisions of Article 627 of the Companies Act as applied mutatis mutandis pursuant to Article 34-23, paragraph (1) of the Act: the amount of the contribution of the withdrawing partner that was included in the amount of stated capital;
- (ii) when the limited liability auditing corporation is to return contribution to a partner through the procedure under the provisions of Article 627 of the Companies Act as applied mutatis mutandis pursuant to Article 34-23, paragraph (1) of the Act: the amount which the limited liability auditing corporation has decided to reduce from the amount of stated capital within the scope of the value of the contribution to be returned through the relevant

return of contribution (limited to an amount not more than the amount of the contribution of the partner that was included in the amount of stated capital);

- (iii) when the limited liability auditing corporation is to allocate funds to compensate for losses through the procedure under the provisions of Article 627 of the Companies Act as applied mutatis mutandis pursuant to Article 34-23, paragraph (1) of the Act: the amount which the limited liability auditing corporation has decided to allocate to compensate for losses within the scope of the amount of stated capital.

(Amount of Capital Surplus)

Article 50 (1) Only in the cases listed in the following items, the amount of capital surplus of a limited liability auditing corporation is increased by the amounts respectively specified in those items:

- (i) when a partner has performed the contribution: the amount obtained by subtracting the amount set forth in (b) from the amount set forth in (a);
 - (a) the amount obtained by subtracting the total of the amount set forth in paragraph (1), item (i), sub-item (b) of the preceding Article from the total of the amount set forth in (a) of the same item
 - (b) the amount included in the amount of stated capital at the time of performance of the relevant contribution
- (ii) when the limited liability auditing corporation is to allocate funds to compensate for losses through the procedure under the provisions of Article 627 of the Companies Act as applied mutatis mutandis pursuant to Article 34-23, paragraph (1) of the Act: The amount which the limited liability auditing corporation has decided to allocate to compensate for losses within the scope of the amount of stated capital;
- (iii) any other case where it is appropriate to increase the amount of capital surplus: an appropriate amount.

(2) Only in the cases listed in the following items, the amount of capital surplus of a limited liability auditing corporation is reduced by the amount respectively specified in those items; provided, however, that an amount equivalent to the book value of the property returned through distribution of profits are not to be deducted from the amount of capital surplus:

- (i) when the limited liability auditing corporation is to return equity interest to a withdrawing partner: The amount of the contribution of the withdrawing partner that was included in the amount of capital surplus;
- (ii) when the limited liability auditing corporation is to return contribution to a partner: The amount obtained by subtracting the amount by which the amount of stated capital is to be reduced pursuant to the provisions of paragraph (2) of the preceding Article when engaging in the relevant return

- of contribution from the value of contribution to be returned through the relevant return of contribution;
- (iii) when the limited liability auditing corporation has decided to make all or part of the amount of capital surplus the amount of stated capital: the amount equivalent to the amount decided to be made the amount of stated capital;
- (iv) any other case where it is appropriate to reduce the amount of capital surplus: an appropriate amount.

(Amount of Earned Surplus)

- Article 51 (1) Only in the cases listed in the following items, the amount of earned surplus of a limited liability auditing corporation is increased by the amounts respectively specified in those items:
- (i) when current net earnings have arisen: the amount of the relevant current net earnings;
 - (ii) when the limited liability auditing corporation is to return equity interest to a withdrawing partner: the amount obtained by subtracting the amount set forth in (b) from the amount set forth in (a) (zero where the amount obtained is less than zero);
 - (a) total of the contribution amounts of the partner who received the relevant return of equity interest that were included in the stated capital and capital surplus
 - (b) book value of the property returned through the relevant return of equity interest
 - (iii) any other case where it is appropriate to increase the amount of earned surplus: an appropriate amount.
- (2) The amount of earned surplus of a limited liability auditing corporation is reduced only in the cases listed in the following items, by the amounts respectively specified therein; provided, however, that an amount equivalent to the book value of the property returned through return of contribution is not deducted from the amount of earned surplus:
- (i) when a current net loss has arisen: The amount of the relevant current net loss;
 - (ii) when the limited liability auditing corporation is to return an equity interest to a withdrawing partner: the amount obtained by subtracting the amount set forth in (b) from the amount set forth in (a) (zero where the obtained amount is less than zero);
 - (a) book value of the property returned through the relevant return of equity interest
 - (b) total of the contribution amounts of the partner receiving the relevant return of equity interest that were included in the stated capital and

capital surplus

- (iii) any other case where it is appropriate to reduce the amount of earned surplus: an appropriate amount.

(Amount of Losses)

Article 52 The method to be specified by Cabinet Office Order as prescribed in Article 620, paragraph (2) of the Companies Act as applied mutatis mutandis pursuant to Article 34-23, paragraph (1) of the Act is a method taking the amount calculated pursuant to the provisions of the same paragraph as whichever of the amounts listed below is the smallest:

- (i) the amount obtained by subtracting from zero the total of the amount of capital surplus and the amount of earned surplus as of the day on which the amount of stated capital is to be reduced pursuant to the provisions of Article 620, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 34-23, paragraph (1) of the Act (zero where the obtained amount is less than zero)
- (ii) the amount of stated capital as of the day on which the amount of stated capital is to be reduced pursuant to the provisions of Article 620, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 34-23, paragraph (1) of the Act

(Amount of Profits)

Article 53 The method to be specified by Cabinet Office Order as prescribed in Article 623, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 34-23, paragraph (1) of the Act is a method taking the amount of profit of the limited liability auditing corporation as whichever of the amount listed below is the smallest (for the amount of profit prescribed in the proviso to Article 629, paragraph (2) of the Companies Act, the amount listed item (i)):

- (i) the amount of earned surplus on the day on which profit was distributed according to demand under the provisions of Article 621, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 34-22, paragraph (1) of the Act
- (ii) the amount obtained by subtracting the total amount set forth in (b) and (c) from the amount set forth in (a)
 - (a) The amount of profit already distributed to a partner who has made the demand pursuant to the provisions of Article 622 of the Companies Act as applied mutatis mutandis pursuant to Article 34-22, paragraph (1) of the Act (where the amount specified in Article 51, paragraph (1), item (iii) exists, including that amount)
 - (b) The amount of losses already distributed to the partner who has made the

demand pursuant to the provisions of Article 622 of the Companies Act as applied mutatis mutandis pursuant to Article 34-22, paragraph (1) of the Act (where the amount specified in Article 51, paragraph (2), item (iii) exists, including such amount)

- (c) Book value of monies, etc. already delivered through distribution of profits to the partner who has made the demand

(Surplus Amount)

Article 54 The total amount to be specified by Cabinet Office Order as prescribed in Article 626, paragraph (4), item (iv) of the Companies Act as applied mutatis mutandis pursuant to Article 34-23, paragraph (1) of the Act is the amount obtained by subtracting the total of the amounts set forth in items (ii) and (iii) from the amount set forth in item (i):

- (i) the amount set forth in Article 626, paragraph (4), item (i) of the Companies Act as applied mutatis mutandis pursuant to Article 34-23, paragraph (1) of the Act;
- (ii) the sum of the following amounts set forth in Article 626, paragraph (4), items (ii) and (iii) of the Companies Act as applied mutatis mutandis pursuant to Article 34-23, paragraph (1) of the Act;
- (iii) the amount specified in (a) through (e) below in the cases respectively prescribed therein:
 - (a) the case of calculating the surplus amount prescribed in Article 626, paragraph (2) of the Companies Act as applied mutatis mutandis pursuant to Article 34-23, paragraph (1) of the Act: the amount of the contribution of the relevant partner that is included in the amount of capital surplus;
 - (b) for calculating the surplus amount prescribed in Article 626, paragraph (3) of the Companies Act as applied mutatis mutandis pursuant to Article 34-23, paragraph (1) of the Act: the sum of the following amounts:
 - 1. the amount of the contribution of the relevant partner that is included in the amount of capital surplus
 - 2. the amount obtained by subtracting the amount set forth in Article 51, paragraph (2), item (ii), sub-item (b) from the amount set forth in (a) of the same item
 - (c) the case of calculating the surplus amount prescribed in Article 632, paragraph (2) and Article 634, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 34-23, paragraph (1) of the Act: whichever of the amounts listed below are smallest:
 - 1. total of the amount of earned surplus and the amount of capital surplus as of the day on which contribution was returned according to the demand under the provisions of Article 624, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 34-22,

- paragraph (1) of the Act;
- 2. the amount of the contribution of the relevant partner that is included in the amount of capital surplus;
- (d) the case prescribed in the proviso to Article 633, paragraph (2) of the Companies Act as applied mutatis mutandis pursuant to Article 34-23, paragraph (1) of the Act: The amount set forth in (c);
- (e) the case of calculating the surplus amount prescribed in Article 635, paragraphs (1) and (2), item (i) and the proviso to Article 636, paragraph (2) of the Companies Act as applied mutatis mutandis pursuant to Article 34-23, paragraph (1) of the Act: total of the amount of capital surplus and the amount of earned surplus.

(Amount of Deficit)

Article 55 The method to be specified by Cabinet Office Order as prescribed in Article 631, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 34-23, paragraph (1) of the Act is the method to make the amount obtained by subtracting the total of the amounts set forth in items (ii) and (iii) from the amount set forth in item (i) (zero where the obtained amount is less than zero) the amount of deficit of the limited liability auditing corporation:

- (i) the amount obtained by subtracting from zero the total of the amount of capital surplus and the amount of earned surplus as of the final day of the fiscal year set forth in Article 631, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 34-23, paragraph (1) of the Act;
- (ii) the amount of the current net loss pertaining to the fiscal year set forth in Article 631, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 34-23, paragraph (1) of the Act;
- (iii) the amount obtained by subtracting the amount set forth in (b) from the amount set forth in (a) where there was return of equity interest in the relevant fiscal year (zero where the obtained amount is less than zero):
 - (a) the amount of equity interest returned pertaining to the relevant return of equity interest;
 - (b) the sum of the amount of earned surplus and the amount of capital surplus as of the date of the relevant return of interest.

(Amount of Net Assets)

Article 56 The method to be specified by Cabinet Office Order as prescribed in Article 635, paragraphs (2), (3) and (5) of the Companies Act as applied mutatis mutandis pursuant to Article 34-23, paragraph (1) of the Act is a method taking the sum of the following amounts listed below as the amount of

net assets of the limited liability auditing corporation:

- (i) the amount of stated capital;
- (ii) the amount of capital surplus;
- (iii) the amount of earned surplus;
- (iv) the amount pertaining to valuation or translation adjustments, etc. as of the final day of the most recent fiscal year (when the most recent fiscal year is unavailable, the date of incorporation of the limited liability auditing corporation).

(Securities with Market Prices That Require No Investigation by an Inspector)

Article 57 The method to be specified by Cabinet Office Order as prescribed in Article 33, paragraph (10), item (ii) of the Companies Act as applied mutatis mutandis pursuant to Article 34-23, paragraph (2) of the Act is the method of making the greater of the following amounts the price of the securities prescribed in the relevant item:

- (i) the closing price on the market where the relevant securities are traded as of the day of the certification set forth in Article 30, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 34-7, paragraph (2) of the Act (when no buying and selling transactions are carried out on the relevant day or where the relevant day is a holiday for the market, the price at which the first transaction is carried out after the relevant day);
- (ii) when the securities are the subject of a takeover bid, etc. as of the day of the certification set forth in Article 30, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 34-7, paragraph (2) of the Act, the price of the securities under the contract pertaining to the relevant takeover bid, etc. as of the relevant day.

(Persons to be Held Liable in the Case of Shortfall in Value of Property Contributed)

Article 58 The person to be specified by Cabinet Office Order as prescribed in Article 213, paragraph (1), item (i) of the Companies Act as applied mutatis mutandis pursuant to Article 34-23, paragraph (3) of the Act is to be a partner who performed duties concerning determination of the value of property other than monies.

(Consideration to Accounting Practices)

Article 59 Consideration must be given to generally accepted corporate accounting standards and any other accounting practices with regard to interpretation of the terms and application of the provisions of Articles 29 through 39, Article 44, Article 45 and Articles 49 through 56.

Chapter IV Special Provisions Concerning Registration of Limited Liability Auditing Corporations

(Application for Registration)

Article 60 A limited liability auditing corporation which intends to obtain the registration under the provisions of Article 34-24 of the Act (including an unlimited liability auditing corporation which intends to change its articles of incorporation under the provisions of Article 34-22, paragraph (10) of the Act) must submit to the Commissioner of the Financial Services Agency a written application set forth in Article 34-25, paragraph (1) of the Act prepared using appended form 3 by attaching the documents under the provisions of paragraph (2) of the same Article.

(Matters to be Stated in a Written Application for Registration)

Article 61 The matters to be specified by Cabinet Office Order as prescribed in Article 34-25, paragraph (1), item (v) of the Act are the following:

- (i) total number of partners;
- (ii) number of partners who are certified public accountants.

(Documents to be Attached to a Written Application for Registration)

Article 62 The matters to be specified by Cabinet Office Order as prescribed in Article 34-25, paragraph (2) of the Act are the following:

- (i) matters stated in the articles of incorporation;
- (ii) registered matters;
- (iii) matters pertaining to a pledge that none of the partners fall under Article 34-27, paragraph (1), item (ii) sub-items (a) or (b) of the Act;
- (iv) matters proving that partners have performed contributions;
- (v) matters proving that the proportion of partners who are certified public accountants among the partners of the applicant is not smaller than the proportion to be specified by Cabinet Office Order as prescribed in Article 34-27, paragraph (1), item (iv) of the Act.

(Keeping of the Limited Liability Auditing Corporation Roster)

Article 63 The Commissioner of the Financial Services Agency is to keep the limited liability auditing corporation roster pertaining to the registered limited liability auditing corporation (meaning the registered limited liability auditing corporation prescribed in Article 34-27, paragraph (1), item (ii), sub-item (b) of the Act; the same applies hereinafter), which the commissioner has registered, at the Financial Services Agency and make it available for public inspection.

(Proportion of Partners Who Are Certified Public Accountants Among the

Partners of the Limited Liability Auditing corporation)

Article 64 The proportion to be specified by Cabinet Office Order as prescribed in Article 34-27, paragraph (1), item (iv) of the Act is to be seventy-five percent.

(Written Application for Registration of a Change)

Article 65 (1) When a registered limited liability auditing corporation intends to file an application for registration of a change under the provisions of Article 34-28, paragraph (1) of the Act, it must submit to the Commissioner of the Financial Services Agency a written application for registration of the change prepared using appended form 4.

(2) The written application for registration of a change set forth in the preceding paragraph must have attached a document proving that the change is true.

(Procedure of Registration of a Change)

Article 66 (1) The Commissioner of the Financial Services Agency, when the written application for registration of a change set forth in paragraph (1) of the preceding Article has been submitted, are to register the matters pertaining to the relevant application in the limited liability auditing corporation roster after examination.

(2) When the Commissioner of the Financial Service Agency has effected the registration set forth in the preceding paragraph, the commissioner is to notify to that effect to the registered limited liability auditing corporation which submitted the written application for registration of a change.

(Cancellation of Registration)

Article 67 When registration of a registered limited liability auditing corporation has lost its effect pursuant to the provisions of Article 34-28, paragraph (2) of the Act, the Commissioner of the Financial Services Agency removes the relevant registered limited liability auditing corporation from the limited liability auditing corporation roster.

(Procedure of Audit Attestation)

Article 68 The audit report set forth in Article 34-32, paragraph (1) of the Act must be prepared based on the results of an audit performed in accordance with generally accepted auditing standards and practices.

(Matters to be Stated in an Audit Report)

Article 69 (1) The audit report set forth in the preceding Article must state the following matters concisely and clearly, be signed and sealed by the certified public accountant or the representative person of the auditing corporation and include an indication of the date of preparation. In this case, when the audit

report is prepared by an auditing corporation, the audit report must be signed and sealed by the partner who engaged in the services pertaining to the relevant audit attestation (hereinafter referred to as the "engagement partner"), beyond the representative person of the auditing corporation; provided, however, that when the audit is a designated attestation (meaning a designated attestation as prescribed in Article 34-10-4, paragraph (2) of the Act) or a specified attestation (meaning a specified attestation as prescribed in Article 34-10-5, paragraph (2) of the Act), the audit report must be signed and sealed by the engagement partner who is the designated partner (meaning a designated partner as prescribed in Article 34-10-4, paragraph (2) of the Act) pertaining to the relevant designated attestation or who is the designated limited liability partner (meaning a designated limited liability partner as prescribed in Article 34-10-5, paragraph (2) of the Act) pertaining to the relevant specified attestation, in lieu of the representative person of the auditing corporation, and include an indication of the date of preparation:

- (i) target of the audit;
 - (ii) outline of the audit performed;
 - (iii) opinion as to whether or not the financial statements fairly present the target of the audit's financial position and operational results in the fiscal year pertaining to the relevant financial statements in all significant respects, in accordance with generally accepted accounting standards;
 - (iv) additional information;
 - (v) interests to be clearly specified pursuant to the provisions of Article 25, paragraph (2) of the Act (including if it is applied mutatis mutandis pursuant to Article 16-2, paragraph (6) and Article 34-12, paragraph (3) of the Act).
- (2) With regard to the target of the audit specified in item (i) of the preceding paragraph, the following matters are to be stated:
- (i) scope of financial statements subject to the audit;
 - (ii) the fact that the responsibility for preparing the financial statements lies with the partners of the limited liability auditing corporation that is the target of the audit;
 - (iii) the fact that the certified public accountant or auditing corporation that engaged in the audit is responsible for expressing an opinion on the financial statements from a stance of independence.
- (3) With regard to the outline of the audit specified in paragraph (1), item (ii), the following matters are stated; provided, however, that where any important audit procedure was unable to be performed, such audit procedure which was unable to be performed are stated:
- (i) the fact that the audit was carried out in conformity with generally accepted auditing standards;
 - (ii) the fact that the auditing standards require the certified public accountant

- or auditing corporation that engaged in the audit to obtain reasonable assurance whether the financial statements are free from material misstatements;
- (iii) the fact that the audit is carried out on a test basis;
 - (iv) the fact that the overall presentation of financial statements has been evaluated in the audit, including evaluation of the accounting policies adopted by partners of the limited liability auditing corporation and the application thereof and reasonableness estimates made by partners of the limited liability auditing corporation;
 - (v) the fact that a reasonable basis to allow for the expressing of opinions has been gained as a result of an audit.
- (4) With regard to the opinion specified in paragraph (1), item (iii), the matters specified in the following items for the categories of opinions respectively prescribed in those items are stated:
- (i) an unqualified opinion: the fact that the financial statements subject to the audit were found to fairly present the registered limited liability auditing corporation's financial position and results of operations in the fiscal year pertaining to the relevant financial statements in all significant respects, in conformity with generally accepted accounting standards;
 - (ii) a qualified opinion containing an exception: the fact that, apart from an exception, the financial statements subject to the audit were found to fairly present the registered limited liability auditing corporation's financial position and results of operations in the fiscal year pertaining to the relevant financial statements in all significant respects, in conformity with generally accepted accounting standards, as well as such exception and the effect of the exception on the financial statements or the matters affected by the fact that an important audit procedure was unable to be performed;
 - (iii) an adverse opinion: the fact that the financial statements subject to the audit do not present fairly and the reason therefor.
- (5) With regard to the matters specified in paragraph (1), item (iv), the matters as a change to the accounting policies based on justifiable grounds, significant contingency or a significant subsequent event, which the certified public accountant or auditing corporation that engaged in the audit determined appropriate to explain or emphasize, are stated.
- (6) The certified public accountant or auditing corporation, where the reasonable assurance that serves as the basis for expressing an opinion specified in paragraph (1), item (iii) has not been obtained as a result of not being able to perform an important audit procedure or for any other reasons, must state the fact that accountant or corporation does not express the opinion set forth in the same item and the reason therefor in the audit report, notwithstanding the provisions of the same paragraph.

(Special Interest)

Article 70 (1) The relationship to be specified by Cabinet Office Order pertaining to a certified public accountant as prescribed in Article 23, item (iv) of the Order is a relationship in any of the following cases:

- (i) when there is the relationship prescribed in Article 24, paragraph (1), items (ii) or (iii) or Article 24, paragraph (3) of the Act (including if these provisions are applied mutatis mutandis pursuant to Article 16-2, paragraph (6) of the Act; hereinafter the same applies in this Article);
- (ii) when a person who engages in the audit engaged in for the registered limited liability auditing corporation that intends to receive audit attestation, as an assistant, (referred to as an "assistant" in the following paragraph) is or was within the past one year a partner of the relevant registered limited liability auditing corporation, or has the relationship set forth in Article 24, paragraph (1), item (ii) or Article 24, paragraph (3) of the Act or in Article 7, paragraph (1), items (i), items (iv) through (vi), item (viii) or (ix) of the Order;
- (iii) when a relative within the second degree of kinship of the certified public accountant is or was within the past one year a partner of the registered limited liability auditing corporation that intends to receive audit attestation or has the relationship set forth in Article 7, paragraph (1), item (i) of the Order.

(2) The relationship to be specified by Cabinet Office Order pertaining to an auditing corporation as prescribed in Article 23, item (iv) of the Order is the relationship in any of the following cases:

- (i) when there is the relationship prescribed in Article 34-11, paragraph (1), item (iii) or (iv) of the Act;
- (ii) when the partner of the auditing corporation executing the services pertaining to the audit attestation for the registered limited liability auditing corporation that intends to receive audit attestation or their spouse has the relationship prescribed in Article 24, paragraph (1), item (ii) or (iii) or Article 24, paragraph (3) of the Act;
- (iii) when an assistant is or was within the past year a partner of the registered limited liability auditing corporation that intends to receive audit attestation, or has the relationship set forth in Article 24, paragraph (1), item (ii) or Article 24, paragraph (3) of the Act or in Article 7, paragraph (1), item (i), items (iv) through (vi), item (viii) or (ix) of the Order;
- (iv) when a relative within the second degree of kinship of the partner executing the services pertaining to the audit attestation for the registered limited liability auditing corporation that intends to receive audit attestation is or was within the past one year a partner of the relevant registered limited liability auditing corporation or has the relationship set forth in

Article 7, paragraph (1), item (i) of the Order.

(Notification Pertaining to Deposit)

- Article 71 (1) A person who has concluded a guarantee entrustment contract with a registered limited liability auditing corporation, in the case of making a deposit based on the order prescribed in Article 34-33, paragraph (4) of the Act, must make a deposit with the deposit office nearest to the principal office of the relevant registered limited liability auditing corporation.
- (2) A person who has made a deposit pursuant to the provisions of Article 34-33, paragraphs (1), (2), (4) or paragraph (8) of the Act or Article 13, paragraph (6) of the Regulation for the Deposited Funds of Limited Liability Auditing corporations (Cabinet Office Order or Ministry of Justice Order No. 8 of 2007) (referred to as a "depositor" in the following paragraph) must submit to the Commissioner of the Financial Services Agency a written notice of deposit prepared using appended form 5 by attaching an authenticated copy of the deposit document pertaining to the relevant deposit.
- (3) Where a depositor replaces previously deposited property, the depositor, after making a new deposit as a replacement, must notify the commissioner of the Financial Services Agency by submitting an authenticated copy of the deposit document as of the time after replacement.
- (4) In the case set forth in the preceding two paragraphs, the registered limited liability auditing corporation must submit to the Commissioner of the Financial Services Agency a detailed statement of deposited funds, etc. prepared using appended form 6 (hereinafter referred to as the "detailed statement of deposited funds, etc.")
- (5) When the Commissioner of the Financial Services Agency receives an authenticated copy of the deposit document set forth in paragraph (2) and paragraph (3), the commissioner must deliver a retention certificate to the depositor.

(Notification of Conclusion of a Contract in Lieu of All or Part of the Deposited Funds)

- Article 72 (1) When a registered limited liability auditing corporation concludes a guarantee entrustment contract, it must notify the Commissioner of the Financial Services Agency by submitting written notice using appended form 7, attaching a copy of the contract and a detailed statement of deposited funds, etc., and present an authenticated copy of the contract.
- (2) When a registered limited liability auditing corporation intends to obtain approval under the provisions of Article 26, item (iii) of the Order (hereinafter referred to as "approval" in this Article and Article 74, items (ii) and (iii)), it must submit it to the Commissioner of the Financial Services Agency a written

application for approval of the cancellation of a guarantee entrustment contract prepared using appended form 8 or a written application for approval of a change to a guarantee entrustment contract prepared using appended form 9, by attaching a written statement of the reasons and any other reference documents no more than one month prior to the day on which it intends to cancel the guarantee entrustment contract pertaining to the relevant approval or the day on which it intends to change the contents thereof.

- (3) When an application for approval has been filed, the Commissioner of the Financial Services Agency is to examine whether or not the cancellation of the guarantee entrustment contract or the change of contents thereof by the registered limited liability auditing corporation that filed the relevant application for approval is unlikely to compromise the protection of obligees subject to preferential refund (meaning the obligees subject to preferential refund prescribed in Article 34-33, paragraph (1) of the Act; the same applies in Article 78 and Article 80, paragraph (2)).
- (4) When a registered limited liability auditing corporation has cancelled a guarantee entrustment contract or changed the contents thereof by obtaining an approval, it must notify the Commissioner of the Financial Services Agency by submitting a written notice of cancellation of guarantee entrustment contract prepared using appended form 10, attaching a document proving that the contract has been cancelled and a detailed statement of deposited funds, etc., or by submitting a written notice of a change to guarantee entrustment contract prepared using appended form 11, attaching a copy of the contract and a detailed statement of deposited funds, etc., and must present an authenticated copy of the contract in the case of making a change to the contract.

(Counter Party to the Contract in Lieu of All or Part of the Deposited Funds)

Article 73 The financial institution to be specified by Cabinet Office Order as prescribed in Article 26 of the Order are any of the following:

- (i) a life insurance company (meaning the life insurance company prescribed in Article 2, paragraph (3) of the Insurance Business Act (Act No. 105 of 1995) and including a foreign life insurance company, etc. (meaning the foreign life insurance company, etc. prescribed in paragraph (8) of the same Article) and an underwriting member of a person who has obtained the specified life insurance business license set forth in Article 219, paragraph (4) of the same Act);
- (ii) a non-life insurance company (meaning a non-life insurance company prescribed in Article 2, paragraph (4) of the Insurance Business Act and including a foreign casualty insurance company, etc. (meaning the foreign non-life insurance company, etc. prescribed in paragraph (9) of the same

- Article) and an underwriting member of a person who has obtained the specified casualty insurance business license set forth in Article 219, paragraph (5) of the same Act);
- (iii) a long-term credit bank prescribed in Article 2 of the Long-Term Credit Bank Act;
- (iv) a cooperative structured financial institution prescribed in Article 2, paragraph (1) of the Act on Preferred Equity Investment by Cooperative Structured Financial Institution (Act No. 44 of 1993);
- (v) the Shoko Chukin Bank, Ltd.

(Initial Date in Counting the Period for an Additional Deposit of Deposited Funds)

Article 74 The date to be specified by Cabinet Office Order as prescribed in Article 34-33, paragraph (8) of the Act are the dates specified in the following items for the categories respectively set forth in those items:

- (i) when the amount of deposited funds prescribed in Article 34-33, paragraph (10) of the Act (including the contracted amount prescribed in paragraph (3) of the same Article; the same applies in the following item) fell short of the amount specified in Article 25 of the Order due to an increase in the total number of partners of the registered limited liability auditing corporation: the day on which the total number of partners increased;
- (ii) when the amount of deposited funds prescribed in Article 34-33, paragraph (10) of the Act fell short of the amount specified in Article 25 of the Order as a result of the registered limited liability auditing corporation changing the contents of the guarantee entrustment contract by obtaining an approval: the day on which the contents of the contract were changed;
- (iii) when the registered limited liability auditing corporation cancelled the guarantee entrustment contract by obtaining an approval: the day on which the contract was cancelled;
- (iv) when the procedure for execution of right set forth in Article 27 of the Order was taken: the day on which the registered limited liability auditing corporation received a copy of the payment entrustment document set forth in Article 11, paragraph (2) of the Regulation for the Deposited Funds of Limited Liability Auditing Corporations;
- (v) when the Commissioner of the Financial Services Agency converted deposited securities (including book-entry transfer bonds, etc. prescribed in Article 278, paragraph (1) of the Act on Book-Entry Transfer of Corporate Bonds and Shares (Act No. 75 of 2001)) into money and deposited the amount obtained by deducting the expense for the conversion into money from the conversion value, in order to take the procedure for execution of right set forth in Article 27 of the Order: the day on which the registered limited

liability auditing corporation received the notice set forth in Article 15, paragraph (4) of the Regulation for the Deposited Funds of Limited Liability Auditing Corporations.

(Types of Securities in Lieu of Deposited Funds)

Article 75 The securities to be specified by Cabinet Office Order as prescribed in Article 34-33, paragraph (9) of the Act are the following (excluding those in foreign currencies):

- (i) national government bond certificates (including those where the ownership of the right for the relevant bonds is based on the statement or record in the book-entry transfer account registry under the provisions of the Act on Book-Entry Transfer of Corporate Bonds and Shares; the same applies in the following Article);
- (ii) local government bond certificates;
- (iii) government guaranteed bond certificates (meaning corporate bonds or any other bonds for which the government guarantees payment of the principal and interest; the same applies in the following Article);
- (iv) corporate bonds or any other bonds specified by the Commissioner of the Financial Services Agency through public notice.

(Value of Securities in Lieu of Deposited Funds)

Article 76 (1) The value of securities where securities are used as Deposited Funds pursuant to the provisions of Article 34-33, paragraph (9) of the Act are the amounts specified in the following items for the categories of securities set forth respectively in those items:

- (i) national government bond certificates: the face value (for those where the ownership of the right for the relevant bonds is based on the statement or record in the book-entry transfer account registry under the Act on Book-Entry Transfer of Corporate Bonds and Shares, the amount stated or recorded in the book-entry transfer account registry; hereinafter the same applies in this Article);
 - (ii) local government bond certificates: the amount calculated by deeming every one hundred yen of the face value to be ninety yen;
 - (iii) government guaranteed bond certificates: the amount calculated by deeming every one hundred yen of the face value to be ninety-five yen;
 - (iv) bonds set forth in item (iv) of the preceding Article: the amount calculated by deeming every one hundred yen of the face value to be eighty yen.
- (2) With regard to securities that have been issued on a discount basis, the provisions of the preceding paragraph applies by deeming the amount obtained by adding the amount calculated using the following formula to the face value to be the issue price:

$$\frac{((\text{face value} - \text{issue price}) / \text{number of years from the issue date to the redemption date}) \times (\text{number of years from the issue date to the deposit date})}{1}$$

- (3) In the calculation using the formula set forth in the preceding paragraph, fractions of less than one year are omitted from the number of years from the issue date to the redemption date and the number of years from the issue date to the deposit date, and fractions below one yen are omitted from the amount obtained by dividing the difference between the face value and the issue price by the number of years from the issue date to the redemption date.

(Application for Approval Pertaining to Conclusion of a Liability Insurance Contract)

Article 77 (1) When a registered limited liability auditing corporation intends to obtain the approval prescribed in Article 34-34, paragraph (1) of the Act, it is to submit to the Commissioner of the Financial Services Agency a written application for approval of a liability insurance contract prepared using appended form 12, by attaching a written statement of the reasons and any other reference documents, no more than one month prior to the date on which it intends to have the liability insurance contract pertaining to the approval take effect pursuant to the provisions of the relevant contract; provided, however, that if the registered limited liability auditing corporation is unable to submit the written application for approval of the liability insurance contract by the relevant due date due to an unavoidable reason, it may submit the application to the Commissioner of the Financial Services Agency after the relevant due date by attaching a document stating the unavoidable reason.

- (2) When an application for approval set forth in the preceding paragraph has been filed, the Commissioner of the Financial Services Agency is to examine whether or not the contents of the liability insurance contract to be concluded by the registered limited liability auditing corporation that filed the application for approval satisfy the requirements listed in the items of Article 29, paragraph (1) of the Order.

- (3) When a registered limited liability auditing corporation has concluded a liability insurance contract, it must submit to the Commissioner of the Financial Services Agency a written notice of conclusion of liability insurance contract prepared using appended form 13 by attaching a copy of the contract and a detailed statement of deposited funds, etc., and present an authenticated copy of the contract.

(Contents of a Liability Insurance Contract)

Article 78 The requirements to be specified by Cabinet Office Order as prescribed in Article 29, paragraph (1), item (iv) of the Order are the following:
(i) the contents of the liability insurance contract is unlikely to compromise the

- protection of obligees subject to preferential refund;
- (ii) the liability insurance contract has special provisions on extension of the insurance term (meaning special provisions under which losses caused by certain reasons during the insurance term of the liability insurance contract are covered after the expiration of the insurance term by extending the term) for a given period of not less than five years after the expiration of the insurance term;
- (iii) the liability insurance contract has special provisions on covering prior acts (meaning special provisions under which losses caused by certain reasons during a given period prior to the commencement of the liability insurance contract are covered) for a given period of not less than three years prior to the commencement of the liability insurance contract; provided, however, that this does apply when the protection of obligees subject to preferential refund is found unlikely to be compromised.

(Liability Insurance Contract in Lieu of Deposit of All of the Deposited Funds)

- Article 79 (1) When a registered limited liability auditing corporation intends to obtain the approval under the provisions of the proviso to Article 29, paragraph (2) of the Order, it is to submit to the Commissioner of the Financial Services Agency a written application for special approval on liability insurance contract prepared using appended form 14 by attaching a written statement of reasons and any other documents stating matters that will be of reference, along with the written application for approval on liability insurance contract set forth in Article 77, paragraph (1), by one month prior to the date on which it intends to have the liability insurance contract pertaining to the approval take effect pursuant to the provisions of the relevant contract; provided, however, that if the registered limited liability auditing corporation is unable to submit the written application for special approval on liability insurance contract by the relevant due date due to an unavoidable reason, it may submit the application to the Commissioner of the Financial Services Agency after the relevant due date by attaching a document stating the unavoidable reason.
- (2) When an application for approval set forth in the preceding paragraph has been filed, the Commissioner of the Financial Services Agency is to examine whether or not the contents of the liability insurance contract to be concluded by the registered limited liability auditing corporation that filed the application for approval cover all of the loss arising as a result of compensating for the covered damages (meaning the covered damages prescribed in Article 29, paragraph (1), item (i) of the Order)

(Cancellation of or Change to a Liability Insurance Contract)

- Article 80 (1) When a registered limited liability auditing corporation intends to

obtain the approval under the provisions of Article 29, paragraph (1), item (iii) of the Order, it is to submit to the Commissioner of the Financial Services Agency a written application for approval on cancellation of liability insurance contract prepared using appended form 15 or a written application for approval on a change to liability insurance contract prepared using appended form 16, by attaching a written statement of reasons and any other documents stating matters that will be of reference, by one month prior to the date on which it intends to cancel the liability insurance contract pertaining to the approval or the date on which it intends to change the contents thereof.

- (2) When an application for approval set forth in the preceding paragraph has been filed, the Commissioner of the Financial Services Agency is to examine whether or not the cancellation of the liability insurance contract or the change of contents thereof by the registered limited liability auditing corporation that filed the relevant application for approval is unlikely to compromise the protection of obligees subject to preferential refund.
- (3) When a registered limited liability auditing corporation has cancelled a liability insurance contract or changed the contents thereof by obtaining the approval set forth in paragraph (1), it must notify the Commissioner of the Financial Services Agency by submitting a written notice of cancellation of liability insurance contract prepared using appended form 17, attaching a document proving that the contract has been cancelled and a detailed statement of deposited funds, etc., or by submitting a written notice of a change to liability insurance contract prepared using appended form 18, attaching a copy of the contract and a detailed statement of deposited funds, etc., and must present an authenticated copy of the contract in the case of making a change to the contract.

(Notification Pertaining to Deposit by Registered Limited Liability Auditing Corporation that Concluded a Liability Insurance Contract)

Article 81 (1) A person who has made a deposit pursuant to Article 34-34, paragraph (2) of the Act (referred to as a "depositor" in the following paragraph and paragraph (4)) must submit to the Commissioner of the Financial Services Agency a written notice of deposit prepared using appended form 5 by attaching an authenticated copy of the deposit document pertaining to the relevant deposit.

- (2) Where a depositor replaces deposited property that has already been deposited, the depositor must notify the Commissioner of the Financial Services Agency by submitting an authenticated copy of the deposit document as after the replacement, after making a new deposit for the replacement.
- (3) In the case set forth in the preceding two paragraphs, the registered limited liability auditing corporation must submit to the Commissioner of the

Financial Services Agency a detailed statement of deposited funds, etc.

- (4) When the Commissioner of the Financial Services Agency has received an authenticated copy of the deposit document set forth in paragraph (2) and paragraph (3), the commissioner must deliver a retention certificate to the depositor.

(Types of Securities in Lieu of Deposited Funds)

Article 82 (1) The securities listed in the items of Article 75 may be used as the deposited funds to be deposited by a registered limited liability auditing corporation pursuant to the provisions of Article 34-34, paragraph (2) of the Act.

- (2) The provisions of Article 76 apply mutatis mutandis to the value of securities where securities are used as deposited funds pursuant to the provisions of the preceding paragraph.

Chapter V Miscellaneous Provisions

(Reasons to be Specified by Cabinet Office Order as Prescribed in Article 49-4, paragraph (2), item (ii) of the Act)

Article 83 The reasons to be specified by Cabinet Office Order as prescribed in Article 49-4, paragraph (2), item (ii) of the Act are the following:

- (i) the certified public accountant, etc. has not undergone the review by the institute under the provisions of Article 46-9-2, paragraph (1) of the Act.
- (ii) the certified public accountant, etc. has refused to cooperate with the review set forth in the preceding item.

Supplementary Provisions

(Effective Date)

Article 1 This Cabinet Office Order comes into effect as of the day of enforcement of the Act for Partial Revision of the Certified Public Accountants Act (Act No. 99 of 2007).

(Extension of the Time Limit for Submission of Audit Reports)

Article 2 It is permissible, for the time being, to submit audit reports set forth in Article 34-32, paragraph (1) of the Act to be attached to financial statements that are submitted pursuant to the provisions of Article 34-16, paragraph (2) of the Act by the day on which three months have passed from the end of the fiscal year pertaining to the relevant financial statements.

(Repeal of the Cabinet Office Order Concerning Auditing Corporations)

Article 3 The following Cabinet Office Orders are repealed:

- (i) the Cabinet Office Order Concerning Auditing Corporations (Ministry of Finance Order No. 46 of 1966);
- (ii) the Cabinet Office Order Concerning Interests Pertaining to Certified Public Accountants (Ministry of Finance Order No. 58 of 1974).